

Marine Transportation Advisory Board Meeting
Ketchikan, Best Western Landing – Sunny Point Ball Room
Minutes
December 12, 2014

Call to Order

Marine Transportation Advisory Board (MTAB) Chair Robert Venables called the meeting to order at 9:08 a.m.

Roll Call to Establish Quorum

The Marine Transportation Advisory Board Members Present: Chair Robert Venables, Vice Chair Josh Howes, Cathie Roemmich, Shirley Marquardt, Gerry Hope, Dan Kelly, Maxine Thompson, Pat Branson (excused), Richard Knapp, Al Koch, and David Reggiani (excused).

Phone Roll Call and Introduction of Those Present

Department of Transportation and Public Facilities (DOT&PF) staff members: Deputy Commissioner Yost (DC Yost), Captain John Falvey, Christa Hagan, Doug Miller, Steven Booth, and Nicole Gorle.

Members of the public present: Georgiana Zimmerley, David Larsen (Glosten Associates), Melvin Charles, Bonna Booth, Thomas Nelson, Dough Ward (Vigor Industrial), Mark Hickey (Hickey and Associates), Dennis Watson (Inter-Island Ferry Authority), and Matt Armstrong (Ketchikan Daily News).

Motion to Approve Agenda

A motion was made to switch agenda item number 11 and 9. Richard Knapp moved to approve the agenda; Cathie Roemmich seconded the motion. The motion passed unanimously.

Motion to Approve Minutes

Gerry Hope moved to approve the minutes from the June 24, 2014 meeting; Dan Kelly seconded the motion. The motion passed unanimously.

Public Comments

Melvin Charles – Alaska Resident – Expressed his desire for lower ferry rates and a discount for seniors traveling on the ferry system. Additionally, he requested tickets be given to the Senior Center in Ketchikan

Georgiana Zimmerley – Member of the Public – Former Ketchikan Borough Manager in late 1990's and has worked with AMHS in some facet her whole career. She thanked the board for having the meeting in Ketchikan. And stated that the Alaska Marine Highway System (AMHS) is instrumental to Southeast Alaska, agrees that there should be lower fares, wants budget decisions to be made outside of politics, and stated her opinion that fast ferries are not cost effective.

Doug Ward – Vigor Industrial – It is great to have MTAB visit Ketchikan, especially on the eve of the Laying of the Keel's ceremony. Four years ago the board came to Ketchikan and drafted a resolution for the Alaska Class Ferries (ACF); made it possible for Alaska Ship and Dry Dock to be involved in the design and the building of these ferries.

Report from the Chair

Chair Venables updated the board: Vice Chair Josh Howes and he attended the continuing meetings held by the state on the Long Range Transportation Plan; after the meeting in Kodiak DC Yost and he walked along the docks at Pier 1 checking out the neighboring facilities and discussed the concern's that were brought up during the meeting. Has spoke with many legislators regarding budget, it is going to be challenging times for all; however the Tustumena Replacement Project has considerable General Funds (GF) obligated which is a good sign. Chair Venables stressed the importance of advocating for AMHS; additionally, with revenue declines operations need to be done as efficiently as possible.

The Chair thanked Ron Bressette and Tim Joyce for their time of service on the board, they will be missed. Additionally, he welcomed two new members to the board: David Reggini, who will be taking over Prince Williams Sound/Kenai Peninsula seat, and Al Koch, who will be taking over the Travel Agent/Tourism Specialist seats. The board introduced themselves to the new members.

MTAB Mission and Purpose

The board discussed their mission and purpose. The board is to be the liaison between the public, traveling agencies, and the state. Going forwarded subgroups should be used in communities; this would be good to have in Kodiak for the Tustumena Replacement Project and long range planning for the docking facilities. Part of MTAB's purpose is to help communities' access good transportation and infrastructure.

MTAB is a public board; contact information for board members is accessible on DOT's website (http://www.dot.state.ak.us/mtab/board_roster.shtml).

AMHS Reports

Fleet and Terminal Reports:

Captain Falvey updated the board on fleet and terminal reports: approximately six weeks ago a packet was sent out to the board that contained an updated report. Because AMHS is a large system the goal of this report, newsletter, is to increase communication among not only employee's but the board as well. The newsletter will be published approximately every four months (see page 9-14 of the packet).

There are two major terminal projects in Angoon and Kake; both of these should be completed by August. A project is planned for the Prince Rupert terminal; the department has a 50 year lease that is one year old and is paying property taxes along with maintenance for the land/facility. It was clearly communicated when the lease was purchased that the Buy America provisions, requiring the department to use steel made in the United States, would apply when terminal improvements were made and the department informed them of the project; they stated no concerns until it went out for contract. Currently bids are supposed to open next Thursday; there is a chance this will be postponed in order to allow time for the Buy America issue to be settled. If it is not settled by January the project will be postponed a year. The Canadian Ministry of Trade, Federal Highway Administration, and United

States Department of Transportation are all working on this issue; would not be surprised if they asked the department to wait a few weeks to go out to bid.

Earlier this year the Skagway ferry float sank; the city and DOT were able to respond quickly and got it back up. After inspection, the department believes the dock is in good shape; there are a few things that need to be fixed and a renovation project is in the works that will make the dock good for another ten years. Currently the department is working with a consultant on the design for this.

The Kodiak Terminal project was started; however it has been delayed due to sea lions in the project area. Work cannot resume until an incidental harassment permit for sea lions has been received. Both the department and National Fisheries thought sea lions would not be an issue but when work commenced they were present almost all of the time. Locals in Kodiak stated sea lions have been there for the past few years. Because of this oversight, the project has been delayed one year so a permit can be applied for.

Captain Falvey answered questions from the board: will any of the work on the Columbia or the Matanuska be done in Ketchikan – possibly but they are both federal projects so it is not guaranteed; what can the board do to help move along the Safety of Life At Sea (SOLAS) waiver and what has been requested – there isn't much the board can do, the department requested the Columbia and the Malaspina not be certified SOLAS but still be able to go into Prince Rupert; does the department have support from the legislator or congressional delegation – two avenues were considered, one was to go through the legislature to the congressional delegation to grant access, the second was to apply for a waiver and after discussion with the congressional delegation they suggested we go the waiver route as it would probably be faster; do we have SOLAS approved ships – yes, the Matanuska, Taku, and Kennicott; yesterday a couple brought meth into Ketchikan and were caught, it seems like there is improved effort to work with police – AMHS works with law enforcement and things are going smoothly; understand AMHS can't do Wi-Fi right now but would like the department to keep in mind a pay by the minute system for it, maybe create a kiosk where the gift shops were; appreciate the information, can you add a column next to the projects that shows the budget for each one – yes we can; are there any more improvements for the Whittier dock – it has been repaired and AMHS now has spare parts in case something ever breaks again.

Tariff Study and Fare Increase:

Matt McLaren reported on the Tariff Study Fare Increase. AMHS has many different formulas for calculating the current tariff structure, some tariffs are not fair if compared across the board. The Tariff Study is close to completion and on final review.

Northern Economics has provided recommendations and an implementation plan to integrate the new tariffs with our current system. Recommendations are: summer or winter season; passenger or commercial vehicle (recommended 60-120 percent higher for commercial vehicle); tariff premium for express and high demand routes; embarking fee; distance fee; and/or cost per mile. Formulas for cabins and vehicles will be similar to the passenger tariff.

Matt and DC Yost responded to questions from the board: what are express routes – during the summer you can go from Bellingham to Ketchikan to Juneau to Yakutat to Whittier, this route bypasses ports along the way making it an express route, maybe charge more for these routes/add an embarking and

disembarking fee; table ES3, what is this showing – this table is from 2008, this shows how our fares compare to others in similar categories; Skagway to Haines, what is the rationale for the fare to be at that rate – this particular fare has been that way for a while, most likely set when the routes were run by mainliners and someone getting on in Haines or Skagway could be taking the place of a traveler going a longer distance, some of these fares were set over 20 years ago; is the department going to freeze rates as they are or look at lowering them - fares will increase 4.5 percent with the exception of a few outliers that are high for their type of route, those will be frozen. When the tariff study is implemented some fares could see a decrease while others could increase; earliest this could be implemented is winter 15/16. Is there a senior discount – AMHS only has special rates for disabled, military, and children; what is the status of AMHS retiree passes – employees who retire after July 1, 2014 will have to pay \$100 for an annual standby pass.

Reservation System Replacement:

Matt updated the board on the reservation system. Getting this system has been a long process; originally there was 3.8M budgeted, realized that would not cover it and was able to secure an additional 5M of federal funds. Carus won the bid for the outside consultant; kicked off the project in October and met with Carus in November. Currently the system is being developed and a core group of employees have begun training so they can go train their coworkers. Hardware will hopefully be ordered spring 2015 and implementation of the new system is projected for fall 2015.

Matt and DC Yost responded to questions from the board: how much can we expect in savings – we are not to that point yet, it should save us money we just don't know how much yet; are we able to find out what routes are being used most commonly – we will be gathering that data.

Union Contracts:

There are three maritime unions Inlandboatmen's Union (IBU), Marine Engineers' Beneficial Association (MEBA), and Masters, Mates, and Pilots (MMP); contracts for these unions expired June 30, 2014 and a tentative agreement was signed with all unions. IBU was settled with; ratified their contract agreeing on 0-1-2 and special increases for job classes that were the most difficult to fill and keep filled. All three unions agreed that the use of an annual pass would cost \$100 for employees and would go into effect October 1st. A similar agreement was reached with MMP with 0-1-2, annual passes, and some increases to training funds; all issues have been resolved with the exception of rule 17, all rates of pay. The department and MMP are finishing arbitration, briefs are due in January and a decision will be made in February. MEBA is a little more complex; they have a different retirement plan than the state but just like the state, it is underfunded. A tentative agreement was reached, however MEBA no longer agrees with it and the department is looking for the new administration to provide some direction. MEBA and MMP still have to ratify their contracts; hopefully this can happen and go into effect by January 1st. There are roughly 95 employees in MEBA, 98 in MMP, and 700 in IBU.

Potential Policy Changes:

Earlier, in late summer/early fall, the department was notified by the Department of Law that AMHS had a liability issue with unaccompanied minors on vessels. We issued a policy change and received several concerns with how this would affect their holiday travel; after consideration the department withheld the policy change and will put it out for comment after holidays. A form will be created for

unaccompanied minors, children age 12-15 we do not recommend traveling alone as AMHS staff does not watch them; children age 16-17 will need to have a signed parental consent form.

FY2014 Budget and Revenues:

DC Yost updated the board on the budget. The FY14 financial report will be published in a couple of weeks; notably, there is a decrease in AMHS operating expenditures due to the reduced operation of the Tustumena this summer. This is the first year AMHS has reduced expenditures; however, with reduced operation of the Tustumena revenues were also down.

Governor Walker released the FY16 budget; the budget released is the one done by former Governor Parnell, is out for discussion, and is not indorsed by Governor Walker. With the published budget the GF has been reduced by 1.8M; AMHS typically uses half of the departments GF, most of the department operates out of capital improvement funds, meaning AMHS would most likely absorb half of the 1.8M reduction. If bars were discontinued and beer/wine sold in the cafeteria that would roughly take care of it; if the bars were kept we would have to triple the price of alcohol to make up that amount.

The capital budget has sufficient general funds to match federal funds received; don't see this effecting the work done on refurbishments and terminals; however it does not have enough to cover vessel overhauls. The legislature has put overhauls in the capital budget, Federal Highway Administration sees overhaul's as an operating cost and won't contribute federal dollars to it. Overhauls cost roughly 1M per vessel.

DC Yost answered the board's questions: between 2005-2006 expenditures went up 34 percent and revenues rose too, why is that – in 2006 two fast ferries and the Lituya were added to the fleet.

Tustumena Replacement Project Update

DC Yost, Captain Falvey, and David Larson from Glosten reported on the Tustumena Replacement Project. The Tustumena is 50 years old and it is time to start looking at a replacement vessel. The Tustumena operates ten months a year, sails 14-16 hour days, and has traveled roughly 3.5M miles over her life. There are capacity limitations on the current vessel; 36 vehicles and 174 passengers and she is running over 100 percent capacities (you can run over 100 percent when smaller vehicles are squeezed on the vessel).

Design features for the replacement vessel include: glass partitions in the lounge space to cut down on noise; cafeteria style food service, there will be no bar; and looking into the possibility of LNG. Currently there are no regulations in place however discussions are taking place with the Coast Guard about the use of LNG and potential regulations.

The Reconnaissance Report was completed in February 2014, public participation took place in May 2014 in communities throughout the chain, and in December 2015 final design should be complete. The new vessel is going to be 34 feet longer and 11 feet wider; additional capacity allowing for an additional 76 passengers, more state rooms, and room for 16 more vehicles (an additional 415 lane feet). It will be faster, running at 15 knots where the existing vessel runs at 13.5 knots.

There are concerns about the vessel fitting into the pier in Kodiak, slides 51-52 of the meeting packet shows how the vessel will fit at the pier; with the new vessel, the bow will hang over one foot from where the existing vessel does. A legal expert will be hired to look at the issue and let the department

know if there are any legal issues. The replacement vessel is what the chain will have to service them for the next 50-60 years and can't be designed for just one pier, especially when there are already capacity issues on the route. The goal for Kodiak is to have a stand-alone terminal someday allowing quicker loading and unloading.

Alaska Class Ferry (ACF):

DC Yost and Captain Falvey presented on the ACF. The project is moving along well; it was quite an effort to get the budget where it needed to be, worked through it and the contract was awarded on October 16th. Tomorrow is the Laying of the Keel's Ceremony; because the laying of the keels will happen before January 1, 2015, these vessels will be exempt from the new emission standards. Four main engines have been purchased and arrived in Ketchikan; these engines are Tier 3, 12 cylinder EMD engines that are dual fuel capable if Liquefied Natural Gas (LNG) becomes available down the road.

Vigor Industrial has hired Glosten Associates to help with the detailed design on the ACF. The LeConte is currently in the Ketchikan shipyard; once it leaves the ACF will start moving along. Delivery dates for these vessels are April/October 2018. While negotiating the contract the department was able to lengthen the project, saving the state money while providing work to the Ketchikan Shipyard for the next four years.

DC Yost and Captain Falvey answered questions from board members: Mr. Hope would like to be involved with the scheduling of these vessels – Once the vessels go into operation they will start working on the schedule; is there an estimated cost savings for using LNG verse Diesel – there probably is one out there, the department does not have those numbers; Mr. Hope would like to be part of the group for naming the ferries, if appropriate – the vessels have to be named after glaciers and the process is prescribed by law.

Doug Ward invited everyone at the meeting to attend the Laying of the Keels Ceremony happening tomorrow at 1:30 p.m., gate opens at 12:30 p.m. It will take place in the Module Fabrication shop and will be the first event to happen there. First Lady Walker and Lady Mallot are sponsoring the two vessels.

2015 Election for Board Chair and Vice Chair

Cathie Roemmich nominates Robert Venables as Chair and Josh Howes as Vice Chair – all are in favor. 2015 Chair and Vice Chair are as follows, Chair Robert Venables and Vice Chair Josh Howes.

Board Comments

Al Koch – Looking forward to meeting Chair Venables and DC Yost; additionally he stated how proud and glad he is to have the opportunity to participate on the board. Enjoyed his first meeting and thanked everyone.

Dan Kelly – These are exciting times for AMHS; the tariff analysis is great and he is cautiously optimistic about the administration change.

Gerry Hope – Would like a cost estimate of a terminal at Baranof Warm springs verse the current terminal site. Additionally, he volunteered to be part of a budget team; need to start thinking about the legislature and coming up with bullet points.

Maxine Thompson – Expressed multiple concerns: does not want AMHS to get to the point where service reductions are being discussed; anxious about the new reservation system as there is no system in place to purchase tickets in Angoon right now; and there isn't enough space for vehicles on routes to Sitka, need to look at creative ways to fix this. Thanked Doug Ward for all of his hard work and expressed her appreciation for it.

Cathie Roemmich – Looks forward to working with the new board members and requested the Chair schedule a meeting after Christmas via teleconference to discuss bullet points for the Legislature.

Richard Knapp – Commended DC Yost and his team for a great presentation; gave similar complements to the Chair for running the meeting under not ideal circumstances.

Robert – Thanked Vice Chair Josh Howes for his work; looks forward to the historic keel-laying event that will take place in Ketchikan tomorrow; and appreciates Al joining the board for the meeting.

Next Meeting

Chair Venables stated the next meeting will take place in Juneau during the legislative session. September, potentially in Ketchikan, Alaska.

Adjourn

Meeting adjourned at 3:56 p.m.